Planning by	Reviewed	Performed by	Final review

Client details
Client name: uMzinyathi District Municipality
Year end: 30 June 2020

File details
Ver No: 2018.10.05
File name: UDM AFS 2020
Doc name: UDM AFS 2020FSNG0000ZAFS.cvw
File path C:\PROGRAM FILES (X86)\CASEWARE\DATA\UMZINYATHI AFS 30 JUNE 2020\UDM AFS 2020\
Last update: 32
Design mode has been entered
Builder mode has been entered

Balance Check

		Controlling entity	
		2020	2019
Statement of financial position balances			
Cash flow statement is out of balance	Diff	-	-
Net Surplus per the Statement of Financial Performance does not agree with the NETINC account	Diff	(4)	-
Opening Accumulated Surplus (deficit) does not match the closing balance for the prior year	Diff	(21 137 498)	671 422 140

Print details
Printed by
Date printed

uMzinyathi District Municipality
Financial statements
for the year ended 30 June 2020

General Information

Nature of business and principal activities	The uMzinyathi District Municipality is a municipality that is operating within its constitutional mandate as a water service authority in the form of service delivery to the citizens of South Africa.
Mayoral committee	
Mayor	Cllr Alderman PMS Ngubane
Deputy Mayor	Cllr NG Mdlalose
Speaker	Cllr FJ Sikhakhane
Executive Committee	Cllr LWS Ngubane
	Cllr LG Mabaso
	Cllr MS Yengwa
Chief Whips	Cllr BP Madondo
	Cllr RN Ngubane
MPAC Chairperson	Cllr XS Xaba
Councillors	Cllr LN Dladla (late)
	Cllr NC Xaba
	Cllr BS Chambule
	Cllr CZ Mbatha
	Cllr BP Ngcobo
	Cllr B Mthethwa
	Cllr SK Radebe
	Cllr TM Mahaye
	Cllr TH Mchunu
	Cllr EM Khwanazi
	Cllr PM Ngobese
	Cllr LC Moloi
	Cllr TJ Motloung
	Cllr FE Khumalo
	Cllr TC Ngubane
	Cllr IL Shabalala
	Cllr PS Hlophe
Grading of local authority	4
Accounting Officer	Mr LH Mthembu
Chief Finance Officer (CFO)	Mrs NT Mkhwanazi
Registered office	39 Victoria Street Princess Magogo Building Dundee 3000
Business address	39 Victoria Street Princess Magogo Building Dundee 3000
Postal address	PO Box 1965 Dundee 3000
Bankers	First National Bank

General Information

Auditors	Auditor General Registered Auditors
Telephone	(034) 219 1500
Website	www.umzinyathi.gov.za
Email	rc3@umzinyathi.gov.za

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Index

ABSA	Amalgamated Banks of South Africa
AG	Auditor General of South Africa
BTO	Budget and Treasury Office
COGTA	Department of Cooperative Governance and Traditional Affairs
CPI	Consumer Price Index
DBSA	Development Bank of Southern Africa
DM	District Municipality
DORA	Division of Revenue Act
DPW	Department of Public Works
DSW	Department of Water and Sanitation
EPWP	Expanded Public Works Programme
FMCMM	Finance Management Capacity Maturity Model
FMG	Finance Management Grant
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
HIV	Human Immune-Deficiency Virus
IDP	Integrated Development Plan
JSE	Johannesburg Stock Exchange
KZN	KwaZulu Natal
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
LM	Local Municipality
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Grant
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSCOA	Municipal Standard Chart of Accounts
NRA	Normal Retirement Age
PAYE	Pay As You Earn
PFMA	Public Finance Management Grants
RMB	Rand Merchant Bank

Index

RRAMS	Rural Road Asset Management Systems
SARS	South African Revenue Service
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WTW	Water Treatment Works
WSDP	Water Services Development Plan

Accounting Officer's Responsibilities and Approval

The Umzinyathi Municipality is situated at Princess Magogo Building, 39 Victoria Street, Dundee. It is a grade 4 Municipality established in terms of section 12(1) of the Municipal Structures Axt, No.117 and published in terms of Provinvial Government Notice 346 on the 19th of September 2000. The Local Government Operations of the municipality are assigned by Section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 od the Municipal Structures Act. The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is largely dependent on the Provincial and National Government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Provinvial and National Government have neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The financial statements set out on pages 7 to 80, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

Accounting Officer
Mr LH Mthembu

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	3	1 026 947	1 199 538
Receivables from non-exchange transactions	4	9 772 939	12 016 591
VAT Receivable	5	26 652 762	19 759 802
Receivable from Exchange Transactions	6	108 790 130	72 294 740
Cash and Cash Equivalents	7	2 375 323	57 405 606
		148 618 101	**162 676 277**
Non-Current Assets			
Investment Property	8	733 033	771 725
Property, Plant and Equipment	9	2 249 273 015	2 092 463 080
Intangible Assets	10	3 740 378	4 124 966
Heritage Assets	11	8 655	8 655
Investment in Associate	12	213 050 479	240 472 028
		2 466 805 560	**2 337 840 454**
Total Assets		**2 615 423 661**	**2 500 516 731**
Liabilities			
Current Liabilities			
Finance Lease Obligation	13	22 230 525	-
Trade Payables	14	190 785 833	159 774 092
Consumer Deposits	15	451 314	451 514
Employee Benefit Obligation	16	3 172 376	506 729
Unspent Conditional Grants and Receipts	17	1 001 648	209 041
Provisions	18	10 962 118	14 107 522
		228 603 814	**175 048 898**
Non-Current Liabilities			
Employee Benefit Obligation	16	24 164 319	23 657 590
Long Term Liability	25&20	64 191 401	64 191 401
		88 355 720	**87 848 991**
Total Liabilities		**316 959 534**	**262 897 889**
Net Assets		**2 298 464 127**	**2 237 618 842**
Reserves			
Other Reserves	19	1 876 333	-
Accumulated surplus	21	2 296 587 794	2 237 618 842
Total Net Assets		**2 298 464 127**	**2 237 618 842**

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service Charges	23	82 150 403	70 845 231
Rental of Facilities and Equipment	24	216 966	468 857
Interest Earned on Outstanding Debtors	25	26 611 656	18 771 234
Other Income	28	9 609 096	1 227 862
Interest on Investments	27	8 814 806	11 907 865
Total revenue from exchange transactions		**127 402 927**	**103 221 049**
Revenue from Non-Exchange Transactions			
Gains and Donations Received			
Acturial Gain from Post Retirement	16	(3 059 200)	2 827 681
Transfer Revenue			
Government Grants and Subsidies	29	643 473 917	630 066 660
Total Revenue From Non-Exchange Transactions		**640 414 717**	**632 894 341**
Total Revenue	22	**767 817 644**	**736 115 390**
Expenditure			
Employee Related Costs	30	(173 436 398)	(142 155 467)
Remuneration of Councillors	31	(5 982 001)	(6 566 913)
Depreciation and Amortisation	32	(96 143 740)	(95 928 452)
Finance Costs	33	(10 882 812)	(73 424)
Operating Leases	35	(579 721)	(619 326)
Provision for Debt Impairment	36	(41 960 241)	35 111 748
Bad Debts	37	-	(93 550 818)
Post Retirement Benefits	16	(5 368 097)	(3 371 000)
Bulk Purchases	38	(17 365 793)	(14 026 503)
Contracted Services	39	(135 421 986)	(104 633 803)
Loss on Disposal of Assets and Liabilities	42	(1 457 538)	(10 165)
Share on Deficit from Associate	12	(27 421 549)	(18 659 113)
General Expenses	40	(171 691 318)	(161 608 542)
Total expenditure		**(687 711 194)**	**(606 091 778)**
Surplus for the year		**80 106 450**	**130 023 612**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2018	**698 434 731**	**2 107 595 230**	**2 806 029 961**
Changes in net assets			
Change in Accounting Policy	(698 434 731)	-	(698 434 731)
Net income (losses) recognised directly in net assets	(698 434 731)	-	(698 434 731)
Surplus for the year	-	130 023 612	130 023 612
Total recognised income and expenses for the year	(698 434 731)	130 023 612	(568 411 119)
Total changes	(698 434 731)	130 023 612	(568 411 119)
Restated* Balance at 01 July 2019	**-**	**2 216 481 344**	**2 216 481 344**
Changes in net assets			
Surplus for the year	-	80 106 450	80 106 450
Prior Year Adjustment to Surplus	1 876 333	-	1 876 333
Total changes	1 876 333	80 106 450	81 982 783
Balance at 30 June 2020	**1 876 333**	**2 296 587 794**	**2 298 464 127**
Note(s)	19		

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		82 150 403	70 845 231
Grants		569 984 000	602 009 000
Interest income		8 814 806	11 907 865
Other receipts		-	1 704 336
		660 949 209	686 466 432
Payments			
Employee costs		(173 436 398)	(142 155 467)
Suppliers		(299 335 494)	(332 080 821)
Finance costs		(10 882 812)	(73 424)
		(483 654 704)	(474 309 712)
Net cash flows from operating activities	42	**177 294 505**	**212 156 720**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(219 619 710)	(16 100 676)
Proceeds from sale of property, plant and equipment	9	9 446 101	5 510 720
Purchase of other intangible assets	10	(471 879)	(1 893 457)
Purchase of Infrastructure assets		-	(293 109 073)
Net cash flows from investing activities		**(210 645 488)**	**(305 592 486)**
Cash flows from financing activities			
Finance lease payments		(21 679 300)	-

* See Note 43

Net increase/(decrease) in cash and cash equivalents		**(55 030 283)**	**(93 435 766)**
Cash and cash equivalents at the beginning of the year		57 405 606	150 841 372
Cash and cash equivalents at the end of the year	7	**2 375 323**	**57 405 606**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service Charges	64 960 460	-	**64 960 460**	82 150 403	**17 189 943**	COVID-19 with no water restrictions
Rental of Facilities and Equipment	585 860	-	**585 860**	216 966	**(368 894)**	Vacant premises (IP)
Interest Earned on Outstanding Debtors	15 500 000	-	**15 500 000**	26 611 656	**11 111 656**	Issue of non-payment culture by customers
Other income - (rollup)	22 101	355 351	**377 452**	9 609 096	**9 231 644**	Donation received from COGTA for PPE
Interest	17 000 000	(7 000 000)	**10 000 000**	8 814 806	**(1 185 194)**	
Total revenue from exchange transactions	**98 068 421**	**(6 644 649)**	**91 423 772**	**127 402 927**	**35 979 155**	
Revenue from non-exchange transactions						
Taxation revenue						
Actuarial Gain from Post Retirement Benefit	-	-	**-**	(3 059 200)	**(3 059 200)**	
Transfer revenue						
Government Grants & Subsidies	641 862 328	2 404 196	**644 266 524**	643 473 917	**(792 607)**	
Total revenue from non-exchange transactions	**641 862 328**	**2 404 196**	**644 266 524**	**640 414 717**	**(3 851 807)**	
Total revenue	**739 930 749**	**(4 240 453)**	**735 690 296**	**767 817 644**	**32 127 348**	
Expenditure						
Employee Related Costs	(147 479 845)	(23 484 155)	**(170 964 000)**	(173 436 398)	**(2 472 398)**	
Remuneration of Councillors	(5 697 101)	(214 094)	**(5 911 195)**	(5 982 001)	**(70 806)**	
Depreciation and Amortisation	(57 598 416)	9 199 416	**(48 399 000)**	(96 143 740)	**(47 744 740)**	
Finance Costs	-	-	**-**	(10 882 812)	**(10 882 812)**	Long term debt acquired and interest on settled legal case
Operating Leases	(700 000)	(3 000 000)	**(3 700 000)**	(579 721)	**3 120 279**	Budget included under General Expenses
Debt Impairment	-	-	**-**	(41 960 241)	**(41 960 241)**	
Post Retirement Benefits	-	-	**-**	(5 368 097)	**(5 368 097)**	
Bulk Purchases	(83 322 866)	15 641 867	**(67 680 999)**	(17 365 793)	**50 315 206**	Budget includes inventory/ consumables

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Contracted Services	(110 991 824)	(25 354 106)	**(136 345 930)**	(135 421 986)	**923 944**	
General Expenses	(48 176 874)	(68 336 575)	**(116 513 449)**	(171 691 318)	**(55 177 869)**	COVID-19 lockdown resulted to less activities
Total expenditure	**(453 966 926)**	**(95 547 647)**	**(549 514 573)**	**(658 832 107)**	**(109 317 534)**	
Operating surplus	**285 963 823**	**(99 788 100)**	**186 175 723**	**108 985 537**	**(77 190 186)**	
Loss on disposal of assets and liabilities	953 713	(953 713)	**-**	(1 457 538)	**(1 457 538)**	
Share in Associate	-	-	**-**	(27 421 549)	**(27 421 549)**	
	953 713	**(953 713)**	**-**	**(28 879 087)**	**(28 879 087)**	
Surplus before taxation	**286 917 536**	**(100 741 813)**	**186 175 723**	**80 106 450**	**(106 069 273)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**286 917 536**	**(100 741 813)**	**186 175 723**	**80 106 450**	**(106 069 273)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	**-**	1 026 947	**1 026 947**	All budget included on expenditure for chemicals and water
Receivables from non-exchange transactions	162 190 000	(147 844 000)	**14 346 000**	9 772 939	**(4 573 061)**	
VAT receivable	-	-	**-**	26 652 762	**26 652 762**	
Consumer debtors	44 160 000	1 160 000	**45 320 000**	108 790 130	**63 470 130**	There were delays in implementing revenue collection strategy due to lockdown
Cash and Cash Equivalents	1 187 053 000	(1 140 542 000)	**46 511 000**	2 375 323	**(44 135 677)**	
	1 393 403 000	**(1 287 226 000)**	**106 177 000**	**148 618 101**	**42 441 101**	
Non-Current Assets						
Investment Property	-	-	**-**	733 033	**733 033**	Balance sheet budgeting issues
Property, Plant and Equipment	294 809 000	2 122 003 000	**2 416 812 000**	2 249 273 015	**(167 538 985)**	
Intangible Assets	160 000	(78 000)	**82 000**	3 740 378	**3 658 378**	
Heritage Assets	-	-	**-**	8 655	**8 655**	The item was reclassified
Investment in Associate	-	-	**-**	213 050 479	**213 050 479**	Change in accounting policy
	294 969 000	**2 121 925 000**	**2 416 894 000**	**2 466 805 560**	**49 911 560**	
Total Assets	**1 688 372 000**	**834 699 000**	**2 523 071 000**	**2 615 423 661**	**92 352 661**	
Liabilities						
Current Liabilities						
Finance Lease Obligation	-	-	**-**	22 230 525	**22 230 525**	The municipality was forced by cashflow difficulties to enter into a finance lease agreement to reduce expenditure on water tankers
Trade Payables	395 461 000	(104 709 000)	**290 752 000**	190 785 831	**(99 966 169)**	Payment of outstanding accounts was prioritised

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Consumer deposits	480 000	(960 000)	**(480 000)**	451 314	**931 314**	There were no new deposits for the financial year except payouts
Employee Benefit Obligation	-	-	-	3 172 376	**3 172 376**	The municipality had not budgeted for the additional employee benefit obligation
Unspent Conditional Grants and Receipts	-	-	-	1 001 648	**1 001 648**	COVID-19 lockdown resulted to delays in spending on planning grants
Provisions	-	2 000	**2 000**	10 962 118	**10 960 118**	Balance sheet budgeting issues
	395 941 000	**(105 667 000)**	**290 274 000**	**228 603 812**	**(61 670 188)**	
Non-Current Liabilities						
Employee Benefit Obligation	-	-	-	24 164 319	**24 164 319**	Balance sheet budgeting issues, the movement was accounted for on expenditure
Long Term Liability	-	-	-	64 191 401	**64 191 401**	Uthukela Water (Pty) Ltd could not submit evidence to verify the balance stated on the statement
	-	**-**	**-**	**88 355 720**	**88 355 720**	
Total Liabilities	**395 941 000**	**(105 667 000)**	**290 274 000**	**316 959 532**	**26 685 532**	
Net Assets	**1 292 431 000**	**940 366 000**	**2 232 797 000**	**2 298 464 129**	**65 667 129**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	1 876 333	**1 876 333**	The reserve was written off due to change in accounting policy
Accumulated surplus	253 009 000	1 978 828 000	**2 231 837 000**	2 296 587 798	**64 750 798**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Total Net Assets	**253 009 000**	**1 978 828 000**	**2 231 837 000**	**2 298 464 131**	**66 627 131**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Service Charges	64 960 000	2 630 000	**67 590 000**	-	**(67 590 000)**	
Grants	642 398 000	(1 398 000)	**641 000 000**	-	**(641 000 000)**	
Interest income	32 500 000	(7 000 000)	**25 500 000**	-	**(25 500 000)**	
Other Revenue	608 000	1 880 000	**2 488 000**	-	**(2 488 000)**	
	740 466 000	**(3 888 000)**	**736 578 000**	**-**	**(736 578 000)**	
Payments						
Suppliers	(434 461 000)	(61 997 000)	**(496 458 000)**	-	**496 458 000**	
Grants & Subsidies	(400 000)	335 000	**(65 000)**	-	**65 000**	
	(434 861 000)	**(61 662 000)**	**(496 523 000)**	**-**	**496 523 000**	
Net cash flows from operating activities	**305 605 000**	**(65 550 000)**	**240 055 000**	**-**	**(240 055 000)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(248 822 240)	(53 058 000)	**(301 880 240)**	-	**301 880 240**	
Net increase/(decrease) in cash and cash equivalents	56 782 760	(118 608 000)	**(61 825 240)**	-	**61 825 240**	
Cash and cash equivalents at the beginning of the year	66 986 000	-	**66 986 000**	-	**(66 986 000)**	
Cash and cash equivalents at the end of the year	**123 768 760**	**(118 608 000)**	**5 160 760**	**-**	**(5 160 760)**	

The accounting policies on pages 17 to 42 and the notes on pages 43 to 80 form an integral part of the financial statements.

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going Concern Assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Impairment Testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful Lives of Waste and Water Network and Other Assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for Doubtful Debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment Property

Investment Property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

1.3 Investment Property (continued)

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment Property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment Property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost Model

Investment Property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

Investment Property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, Plant and Equipment

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.4 Property, Plant and Equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure	Straight line	10-100 years
Buildings Work in Progress	Straight line	4-15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Property, Plant and Equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Infrastructure

The entity recognises infrastructure when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Infrastructure are measured at cost.

A gain or loss arising on initial recognition of infrastructure at fair value less costs to sell and from a change in fair value less costs to sell of infrastructure is included in surplus or deficit for the period in which it arises.

Depreciation is provided on infrastructure where fair value cannot be determined, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Item	**Useful life**
Other Infrastructure	20-40 years

1.6 Intangible Assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.6 Intangible Assets (continued)

Intangible Assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	5 years

1.7 Heritage Assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent Measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.7 Heritage Assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Investments in Associates

An investment in an associate is carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a distribution in surplus or deficit in its separate financial statements when its right to receive the distribution is established.

1.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

1.9 Financial Instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

1.9 Financial Instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial Recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial Measurement of Financial Assets and Financial Liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.9 Financial Instruments (continued)

Subsequent Measurement of Financial Assets and Financial Liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair Value Measurement Considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and Losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and Uncollectibility of Financial Assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

1.9 Financial Instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.9 Financial Instruments (continued)

Derecognition

Financial Assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial Liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.9 Financial Instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating Leases - Lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating Leases - Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

1.11 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

1.13 Impairment of non-cash-generating assets (continued)

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.14 Employee benefits (continued)

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.:

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 56.

1.15 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

1.19 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

1.22 Related parties (continued)

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.24 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.25 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.26 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.26 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.27 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.28 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

1.28 Revenue from non-exchange transactions (continued)

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.29 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	
• GRAP 20: Related parties	01 April 2019	
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	
• GRAP 107: Mergers	01 April 2019	
• GRAP 108: Statutory Receivables	01 April 2019	
• GRAP 109: Accounting by Principals and Agents	01 April 2019	
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	

3. Inventories

	2020	2019
Water	138 347	120 734
Chemicals	888 600	1 078 804
	1 026 947	**1 199 538**

Reconciliation (Restatement)		
Previously reported	-	11 519 178
Audit Adjustment - Inventory	-	(11 398 444)
Inventory (Chemicals)	-	1 078 804
	-	**1 199 538**

Inventory is valued at lower of cost or net realisable value. Chemical inventory was restated to the report actual balances at year end.

Inventory pledged as security

No inventory was pledged as security.

Notes to the Financial Statements

Figures in Rand	2020	2019

4. Receivables from non-exchange transactions

Supplier Payments	1 120 491	3 364 143
Sundry Debtors	4 267 946	4 267 946
Uthukela Water	4 384 502	4 384 502
	9 772 939	**12 016 591**

Uthukela Water (Pty) Ltd received consumer payments on the behalf of the municipality, after the municipality had taken over
the function on the WSP agreement. Uthukela Water (Pty) Ltd then did not transfer the money received as Uthukela Water (Pty) Ltd claims to have deducted these receipts from invoices of bulk purchases. There is no substantiating evidence provided by Uthukela Water (Pty) Ltd to prove that a deduction was processed against bulk purchases.

5. VAT receivable

VAT	26 652 762	19 759 802

VAT was accounted for on accrual basis and being claimed on a cash basis from SARS. Balances were restated for accrued expenses to correct mistatement,

Reconciliation

Previously reported	-	16 159 143
Audit adjustment	-	(2 628 364)
Audit Adjustment	-	(391 479)
Trade Payables	-	6 815 332
Trade Payables	-	(194 830)
	-	**19 759 802**

6. Receivable from Exchange Transactions

Gross balances

Water	216 472 029	133 273 010
Sewerage	60 004 473	37 723 914
Interest	26 639 695	53 713 616
Rental	246 448	196 474
	303 362 645	**224 907 014**

Reconciliation

Previously Reported	-	228 242 434
Consumer Debtors - VAT	-	(30 621 415)
Consumer Debtors - Water	-	23 995 223
Consumer Debtors - Sewer	-	6 626 192
Audit Adjustments	-	(3 335 420)
	-	**224 907 014**

Figures in Rand	2020	2019

6. Receivable from Exchange Transactions (continued)

Less: Allowance for impairment		
Water	(154 630 628)	(85 642 894)
Sewerage	(29 473 520)	(27 335 641)
Interest	(10 468 367)	(39 633 739)
	(194 572 515)	**(152 612 274)**

Restatement Reconciliation		
Previously Reported	-	(171 077 345)
Reallocation if VAT impairment to services	-	22 971 826
Reallocation of VAT to Water	-	(18 000 934)
Reallocation of VAT to sewerage	-	(4 970 892)
Audit Adjustment	-	18 465 071
	-	**(152 612 274)**

Net balance		
Water	61 841 401	47 630 116
Sewerage	30 530 953	10 388 273
Interest	16 171 328	14 079 877
Housing rental	246 448	196 474
	108 790 130	**72 294 740**

Water		
Current (0 -30 days)	6 491 916	6 811 029
31 - 60 days	6 200 562	5 128 470
61 - 90 days	6 027 677	3 740 267
91 - 120 days	6 566 659	2 974 522
121 - 365 days	208 424 903	92 724 972
Allowance for impairement	(171 870 316)	(63 749 144)
	61 841 401	**47 630 116**

Sewerage		
Current (0 -30 days)	1 291 000	1 505 954
31 - 60 days	1 205 639	1 080 040
61 - 90 days	1 261 492	962 811
91 - 120 days	1 283 997	745 114
121 - 365 days	36 984 626	26 803 803
Allowance for impairement	(11 495 801)	(20 709 449)
	30 530 953	**10 388 273**

Interest		
Current (0 -30 days)	2 744 022	1 337 709
31 - 60 days	2 764 326	1 260 222
61 - 90 days	2 605 278	1 223 013
91 - 120 days	2 626 816	1 192 131
121 - 365 days	16 215 671	48 700 541
> 365 days	(10 784 785)	(39 633 739)
	16 171 328	**14 079 877**

Rental		
> 365 days	246 848	196 474
Undefined Difference	(400)	-
	246 448	**196 474**

Figures in Rand	2020	2019

6. Receivable from Exchange Transactions (continued)

Summary of debtors by customer classification

Residential		
Current (0 -30 days)	6 352 995	5 925 332
31 - 60 days	6 199 221	4 405 249
61 - 90 days	6 194 562	4 591 436
91 - 120 days	5 980 042	4 120 606
121 - 365 days	-	156 428 042
> 365 days	199 497 147	-
	224 223 967	175 470 665
Less: Allowance for impairment	(194 572 515)	(131 488 596)
	29 651 452	**43 982 069**
Commercial		
Current (0 -30 days)	1 576 923	1 956 731
31 - 60 days	1 622 723	1 778 065
61 - 90 days	1 708 289	828 016
91 - 120 days	2 379 001	789 189
121 - 365 days	33 548 382	19 737 176
> 365 days	-	(18 821 600)
	40 835 318	6 267 577
Less: Allowance for impairment	(40 835 318)	-
	-	**6 267 577**
National and Provincial Government		
Current (0 -30 days)	2 607 994	3 024 865
31 - 60 days	2 348 583	2 357 627
61 - 90 days	2 002 569	1 391 661
91 - 120 days	2 129 372	744 124
121 - 365 days	28 793 596	20 164 315
> 365 days	-	(20 767 149)
	37 882 114	6 915 443
Less: Allowance for impairment	(37 882 114)	-
	-	**6 915 443**
Total		
Current (0 -30 days)	10 737 912	10 906 928
31 - 60 days	10 170 528	8 540 942
61 - 90 days	9 905 420	6 811 112
91 - 120 days	10 488 415	5 653 919
121 - 365 days	262 060 770	211 459 184
	303 363 045	243 372 085
Less: Allowance for impairment	(194 572 515)	(171 077 345)
Undefined Difference	**(400)**	**-**
	108 790 130	**72 294 740**

Notes to the Financial Statements

Figures in Rand	2020	2019

6. Receivable from Exchange Transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(152 612 274)	(187 724 022)
Contributions to allowance	(41 960 241)	16 646 677
Reversal of allowance	-	18 465 071
	(194 572 515)	**(152 612 274)**

Reconciliation (Restatement)

Previously reported	-	171 077 345
Debt Impairement	-	(18 465 071)
	-	**152 612 274**

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	6 100	6 100
Bank balances	2 369 223	57 399 506
	2 375 323	**57 405 606**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	**30 June 2019**	**30 June 2018**	**30 June 2020**	**30 June 2019**	**30 June 2018**
ABSA [9330621082]	210	237	27 207	210	237	27 207
FNB [62358106279]	11 182 513	15 104 897	50 135 046	1 880 996	21 826 008	51 322 453
FNB [62358438044]	-	10 000	10 000	283 325	10 000	10 000
FNB [74321014438]	631	14 352 510	49 861 471	631	14 352 510	48 591 190
FNB [62353578564]	474	235 537	47 322	30 848	834 161	47 322
FNB [62821498476]	13 425	-	-	13 425	-	-
INVESTEC [1100461826451]	-	12 253 151	-	-	5 354 656	-
INVESTEC [1100461826500]	34	-	-	34	-	-
INVESTEC [1100461826502]	9 760	13 180 286	40 106 646	9 760	13 180 286	40 106 646
INVESTEC [1100461826503]	120	120	21 810	120	120	21 808
NEDBANK [73370049]	10 879	1 841 488	5 932 316	10 880	1 841 488	5 930 506
STANDARD [308632095-003]	-	-	245 365	138 821	-	249 847
STANDARD [008632095-005]	-	-	10 381	-	-	10 381
STANDARD [308632095-006]	173	-	-	173	-	-
STANDARD [035517239]	-	40	4 517 912	-	40	4 517 912
PETTY CASH	-	-	-	6 100	6 100	6 100
Total	**11 218 219**	**56 978 266**	**150 915 476**	**2 375 323**	**57 405 606**	**150 841 372**

Figures in Rand	2020	2019

8. Investment Property

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	1 160 845	(427 812)	733 033	1 160 845	(389 120)	771 725

Reconciliation of investment property - 2020

	Opening balance	**Depreciation**	**Total**
Investment property	771 725	(38 692)	733 033

Reconciliation of investment property - 2019

	Opening balance	**Depreciation**	**Total**
Investment property	810 393	(38 668)	771 725

The investment property is held for rental by tenants. The income is reported under other revenue. However, the properties were vacant throughout the financial year.

Amounts recognised in surplus or deficit

9. Property, Plant and Equipment

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	29 032 020	(10 950 085)	18 081 935	28 872 532	(9 969 107)	18 903 425
Plant and machinery	37 788 199	(19 225 316)	18 562 883	38 545 335	(15 910 190)	22 635 145
Motor vehicles	74 374 889	(16 966 891)	57 407 998	34 395 051	(10 659 470)	23 735 581
Office equipment	13 560 805	(6 985 857)	6 574 948	11 597 464	(5 548 725)	6 048 739
Infrastructure	1 030 550 709	(149 984 568)	880 566 141	1 400 116 878	(503 114 029)	897 002 849
Infrastructure Work In Progress	1 233 434 090	-	1 233 434 090	1 089 492 321	-	1 089 492 321
Buildings Work in Progress	34 645 020	-	34 645 020	34 645 020	-	34 645 020
Total	**2 453 385 732**	**(204 112 717)**	**2 249 273 015**	**2 637 664 601**	**(545 201 521)**	**2 092 463 080**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Buildings	18 903 425	159 488	-	-	-	(980 978)	18 081 935
Plant and machinery	22 635 145	921 983	(452 742)	-	-	(4 541 503)	18 562 883
Motor vehicles	23 735 581	43 909 825	(1 907 484)	-	-	(8 329 924)	57 407 998
Office equipment	6 048 739	2 087 093	(51 026)	-	-	(1 509 858)	6 574 948
Infrastructure	897 002 849	-	(8 492 387)	72 509 377	-	(80 453 698)	880 566 141
Infrastructure Work In Progress	1 089 492 321	216 451 146	-	-	(72 509 377)	-	1 233 434 090
Buildings Work in Progress	34 645 020	-	-	-	-	-	34 645 020
	2 092 463 080	**263 529 535**	**(10 903 639)**	**72 509 377**	**(72 509 377)**	**(95 815 961)**	**2 249 273 015**

9. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Buildings	19 865 184	-	-	-	-	-	(961 759)	18 903 425
Plant and machinery	18 160 380	9 661 018	-	-	-	-	(5 186 253)	22 635 145
Motor vehicles	22 158 265	5 360 773	-	-	-	-	(3 783 457)	23 735 581
Office equipment	6 162 615	1 078 885	(8 266)	-	-	-	(1 184 495)	6 048 739
Infrastructure	821 051 533	-	-	158 896 145	-	-	(82 944 829)	897 002 849
Infrastructure Work In Progress	976 225 804	293 109 073	(5 510 720)	-	(158 896 145)	(15 435 691)	-	1 089 492 321
Buildings Work in Progress	34 645 020	-	-	-	-	-	-	34 645 020
	1 898 268 801	**309 209 749**	**(5 518 986)**	**158 896 145**	**(158 896 145)**	**(15 435 691)**	**(94 060 793)**	**2 092 463 080**

Pledged as security

No infrastructure assets were pledged as security.

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	34 645 020	1 205 905 769	1 240 550 789

9. Property, Plant and Equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	34 645 020	976 225 804	1 010 879 805
Additions/capital expenditure	-	272 162 662	297 338 882
Transferred to completed items	-	(158 896 145)	(102 312 918)
	34 645 020	**1 089 492 321**	**1 205 905 769**

Restatement Reconciliation		
Previously Reported	-	1 167 030 940
Audit Adjustment - Greytown Bulk	-	(17 938 893)
Audit Adjustment - Retention	-	2 503 202
WIP Adjustment	-	(62 102 928)
	-	**1 089 492 321**

Expenditure incurred to repair and maintain property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible Assets

	2020			2019		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	6 531 894	(2 791 516)	3 740 378	6 060 015	(1 935 049)	4 124 966

Reconciliation of Intangible Assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer Software	4 124 966	471 879	(856 467)	3 740 378

Reconciliation of Intangible Assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	2 465 371	1 893 457	(1 899)	(231 963)	4 124 966

11. Heritage Assets

	2020		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying valu**
Ornamental Chains	8 655	-	8 65

Reconciliation of Heritage Assets 2020

11. Heritage Assets (continued)

	Opening balance	Total
Ornamental Chains	8 655	8 655

Reconciliation of Heritage Assets 2019

	Opening balance	Transfers received	Total
Ornamental Chains	-	8 655	8 655

Notes to the Financial Statements

Figures in Rand	2020	2019

12. Investment in Associate

Name of company	Listed / Unlisted	Carrying amount 2020	Carrying amount 2019
uThukela Water (Pty) Ltd		213 050 479	240 472 028

The carrying amounts of Joint ventures are shown net of impairment losses.

Principal activities and reporting dates of joint ventures

Name of entity	Principal activity	Reporting date	Percentage Share
uThukela Water (Pty) Ltd	Water Provision	2020/06/30	33.33%

The separate financial statements of the joint venture are available at the registered office of the municipality.

Reconciliation of Investment in Associate		
Previously Reported	240 472 026	230 541 473
Share in Surplus or Deficit	(27 421 549)	9 930 555
	213 050 477	**240 472 028**

Heading		
Previously Reported	-	230 541 473
Share in Surplus	-	9 930 555
	-	**240 472 028**

Summary of economic entity's interest in associate

Summary of the municipality's interests in the associate.

Revenue	150 539 715	144 619 124
Expenses	(242 368 342)	(230 473 984)
Net profit	(91 828 627)	(85 854 860)
Percentage share	33.30 %	33.30 %
Share in Deficit of Associate	(27 421 549)	(25 947 604)
Total assets	1 019 212 208	1 048 094 994
Total liabilities	(379 996 850)	(326 606 661)
Net assets	639 215 358	721 488 332

13. Finance Lease Obligation

Minimum lease payments due		
- within one year	22 230 525	-

Present value of minimum lease payments due		
- within one year	22 230 525	-

14. Trade Payables

Trade Payables	122 284 594	102 087 776
Payments Received in Advance	2 572 924	2 691 886
Salary Control	(986 935)	-
Retentions	61 981 294	50 715 605
Bonus Accrual	4 933 956	4 278 825
	190 785 833	**159 774 092**

Notes to the Financial Statements

Figures in Rand	2020	2019

14. Trade Payables (continued)

Reconciliation		
Audit Adjustment - Bulk Services	-	(1 493 697)
Previously reported	-	163 796 654
Audit adjustment (Payments Received in Advance)	-	(14 539 286)
Audit Adjustment (Payments Received in Advance)	-	2 691 886
Mistatement on Rentention on WIP	-	2 503 202
Reclassification of Accrued Expenses	-	(59 370 005)
Reclassification of Accrued Expenses to Trade Payables	-	59 370 005
Audit Adjustment for VAT	-	6 815 332
	-	**159 774 091**

15. Consumer Deposits

Water	451 314	451 514

The Consumer deposits relates to monies paid for connections before any services could be rendered.

These amounts relates to prior period deposits.

16. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

Post retirement medical aid plan

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Post Employment Medical Benefit	(15 276 718)	(16 555 663)
Long Service Award	(12 059 977)	(7 608 656)
	(27 336 695)	**(24 164 319)**

Non-current liabilities	(24 164 319)	(23 657 590)
Current liabilities	(3 172 376)	(506 729)
	(27 336 695)	**(24 164 319)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	16 555 663	17 172 000
Contributions by plan participants	1 437 530	972 000
Exchange differences	1 474 503	1 732 000
Benefits paid	(4 103 228)	(446 000)
Actuarial gain	(87 750)	(2 874 337)
	15 276 718	**16 555 663**

Changes in the present value of long service awards liabilit are as follows:

Opening Balance	7 608 656	6 449 000
Current Service Costs	792 272	776 000
Interest Costs	660 746	669 000
Banafits Paid	(418 979)	(332 000)
Actuarial Gain/Loss	(1 329 858)	46 656
	7 312 837	**7 608 656**

Notes to the Financial Statements

Figures in Rand	2020	2019

16. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Post Employment Benefit	(87 750)	(2 874 337)
Long Service Award	(1 329 858)	46 656
	(1 417 608)	**(2 827 681)**

Changes in the fair value of plan assets are as follows:

Key assumptions used

Assumptions used at the reporting date:

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

The effect of the major categories of plan assets is as follow: [state effect]

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

Other assumptions

Valuation assumptions used at the reporting date:		
Discount Rate	9.23%	-
Consumer Price Index (CPI)	4.57%	-
Salary Increase Rate	CPI+1&	-
Net Effective Discount Rate	3	-

Amounts for the current and previous four years are as follows:

16. Employee benefit obligations (continued)

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve. We used the nominal and real zero curves as at 30 June 2020 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability.

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period. South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 2% per annum over the foreseeable future.

Plan B

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements..

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Financial Variables

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the(yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%.

Joint pension fund

16. Employee benefit obligations (continued)

Age Band	Column heading	Column heading	Column heading	Promotional Increases
20	-	-	-	5%
25	-	-	-	4%
30	-	-	-	3%
35	-	-	-	2%
40	-	-	-	1%
	-	**-**	**-**	**15**

Withdrawal Assumptions

Age	2020 Males	2020 Females	2019 Males	2019 Females	Column heading
20-24	16	24	16	24	-
25-29	12	18	12	18	-
30-34	10	15	10	15	-
35-39	8	10	8	10	-
40-44	6	8	6	6	-
45-49	4	6	4	4	-
50-54	2	4	2	2	-
55-59	1	2	1	1	-
	-	1	-	-	-
	59	**88**	**59**	**80**	**-**

Long Service Awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain
number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee’s long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Completed Years of Service

Completed Years of Service	Total Long Service Award % of Annual Salary	Formula Used to Calculate Long Service Award
10	4%	10/2508*Annual Salary
15	8%	10/250*Annual Salary
20, 25, 30, 35, 40 and 45	12%	30/250*Annual Salary

Membership Data

Current Employees	2020	2019
Number of Employees	426	393
Average Annual Salary	245 232	224 829
Average Age (Years)	42	44
Number of spouses	9	9
	245709	**225275**

Notes to the Financial Statements

Figures in Rand	2020	2019

17. Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Development Planning Shared Services	338 148	209 041
Spatial Development Framework Support Management	663 500	-
	1 001 648	**209 041**

Heading		
Audit Adjustments	-	209 041

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

18. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Movementsduring the year	Total
Leave Provision	14 107 522	(3 145 404)	10 962 118

Reconciliation of provisions - 2019

	Opening Balance	Movements during the year	Total
Leave Provision	11 992 076	2 115 446	14 107 522

19. Other Reserves

In terms of the articles of association, …(describe if reserves are distributable).

Opening balance	-	698 434 731
Change during the year	-	(698 434 731)
Audit Adjustment	1 876 333	-
	1 876 333	**-**

20. Long Term Liability

There is a despute between Uthukela Water (Pty) Ltd and Umzinyathi District Municipality for an amount of R64 101 401 which can not be substantiated by Uthukela Water.

Uthukela Water	64 191 401	64 191 401

Notes to the Financial Statements

Figures in Rand	2020	2019

21. Accumulated surplus

22. Revenue

Service Charges	82 150 403	70 845 231
Rental of Facilities and Equipment	216 966	468 857
Interest Earned on Outstanding Debtors	26 611 656	18 771 234
Other Income	9 609 096	1 227 862
Interest Received - Investment	8 814 806	11 907 865
Actuarial Gain Post Retirement Benefit	(3 059 200)	2 827 681
Government Grants and Subsidies	643 473 917	630 066 660
	767 817 644	**736 115 390**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service Charges	82 150 403	70 845 231
Rental of Facilities and Equipment	216 966	468 857
Interest Earned on Outstanding Debtors	26 611 656	18 771 234
Other Income	9 609 096	1 227 862
Interest on Investment	8 814 806	11 907 865
	127 402 927	**103 221 049**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Actuarial Gain Post Retirement Benefit	(3 059 200)	2 827 681
Transfer revenue		
Government Grants & Subsidies	643 473 917	630 066 660
	640 414 717	**632 894 341**

23. Service Charges

Sale of Water	76 131 914	60 282 582
Sewerage and Sanitation Charges	15 208 649	11 521 138
Cost of Free Basic Services	(9 190 160)	(1 315 797)
Water Reconnection Fee	-	357 308
	82 150 403	**70 845 231**

Reconciliation		
Previosuly Reported	-	59 364 617
	-	917 965
	-	**60 282 582**

24. Rental of Facilities and Equipment

Premises		
Rental of Premises	216 966	399 657
Staff Houses	-	69 200
	216 966	**468 857**

Included in the above rentals are operating lease rentals at straight-lined amounts of R - (2019: R -) as well as contingent rentals of R - (2019: R -).

25. Interest on Oustanding Debtors

Figures in Rand	2020	2019

Figures in Rand	2020	2019

25. Interest on Oustanding Debtors (continued)

Reconciliation		
Interest on Overdue Accounts	18 771 234	14 116 532

26. Other revenue

Other Income	9 609 096	1 227 862

27. Interest on Investments

Interest revenue		
Bank	8 814 806	11 907 865

The amount included in Investment revenue arising from exchange transactions amounted to R -.

The amount included in Investment revenue arising from non-exchange transactions amounted to R -.

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

28. Other income

Tender Documents	185 473	90 747
Administration Fees	33 798	872 748
Insurance Refunds	-	264 367
Donations Received	9 389 825	-
	9 609 096	**1 227 862**

Figures in Rand	2020	2019

29. Government Grants and Subsidies

Operating grants		
Equitable share	353 478 000	325 056 404
LGSETA	466 524	348 413
Expanded Public Works Programme	4 624 000	5 109 000
Local Government Finance Management Grant	1 785 000	1 320 000
RRAMS	2 415 000	2 280 000
Development Planning Shared Services	370 893	367 843
Spatial Development Framework Support Management	136 500	-
Disaster Relief Grant	536 000	-
District Growth & Development Summit	-	300 000
	363 811 917	**334 781 660**

Reconciliation		
Previously Reported	-	332 710 701
Reclassification - Expanded Public Works Programme	-	(2 196 884)
Reclassification - Local Government Finance Management Grant	-	1 320 000
Reclassification - Development Planning Shared Services	-	576 884
Restatement - Development Planning Shared Services	-	(209 041)
Reclassification - District Growth & Development Summit	-	300 000
Reclassification - RRAMS	-	2 280 000
	-	**334 781 660**

Capital Grants		
Municipal Infrastructure Grant	188 488 000	184 485 000
Regional Bulk Infrastructure Grant	20 000 000	40 000 000
Water Services Infrastructure Grant	68 374 000	70 800 000
Massification Programme	2 800 000	-
	279 662 000	**295 285 000**

Reconciliation		
Previously Reported	-	297 565 000
Municipal Infrastruccture Grant	-	184 485 000
Regional Bulk Infrastructure Grant	-	40 000 000
Water Services Infrastructure Grant	-	70 800 000
Reclassification - RRAMS	-	(2 280 000)
Reclassification Captial Grants	-	(295 285 000)
	-	**295 285 000**
	643 473 917	**630 066 660**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 6kilo litres @R8.01 exclusive of VAT, which is funded from the grant.

LGSETA

Current-year receipts	466 524	348 413
Conditions met - transferred to revenue	(466 524)	(348 413)
	-	-

All conditions for the grant were met.

Expanded Public Works Programme

29. Government Grants and Subsidies (continued)

Current-year receipts	4 624 000	5 109 000
Conditions met - transferred to revenue	(4 624 000)	(5 109 000)
	-	-

All conditions for the grant were met. EPWP projects must comply with the project selection criteria determined in the EPWP grant manual, the EPWP guidelines set by Department of Public Works (DPW) and the Ministerial Determination updated annually on 1 November each year Eligible municipalities must sign a funding agreement with the DPW before the first grant disbursement, with their final EPWP project list attached.Reports must be loaded on the EPWP reporting system within 15 days after the end of every quarter in order for progress to be assessed. Municipalities must maintain beneficiary and payroll records as specified in the audit requirements in the EPWP grant manual.The EPWP grant cannot be used to fund the costs of permanent municipal personnel; however, a maximum of five per cent of the grant can be used to fund contract based capacity required to manage data capturing and onsite management costs related to the use of labour intensive methods. The EPWP grant can only be utilised for EPWP purposes, for the projects approved in each municipality's EPWP project list. To receive the first planned grant disbursement, eligible municipalities must submit a signed Incentive. Subsequent grant disbursements are conditional upon eligible municipalities reporting quarterly on EPWP performance within the required timeframes. Municipalities must implement their approved EPWP project list and meet agreed job creation targets. EPWP branding must be incorporated on any existing signage as per corporate identity manual.

Local Government Finance Management Grant

Current-year receipts	1 320 000	1 320 000
Conditions met - transferred to revenue	(1 320 000)	(1 320 000)
	-	-

All conditions for the grant were met. Finance Management Grant funding can be used towards the following: establishment of a Budget and Treasury Office (BTO) with positions filled by appropriately qualified personnel establishment of SCM capacity, an Internal Audit unit and Audit Committees, at least five interns appointed over a multi-year period on-going review, revision and submission of FMG support plans to National Treasury that address weaknesses in financial management acquisition, upgrade and maintenance of financial management systems to produce multi-year budgets, in-year reports, Service Delivery and Budget Implementation Plans, Annual Financial Statements, annual reports and automated financial management practices including the municipal Standard Chart of Accounts review and adoption of a delegation system support the training of municipal officials in financial management towards attaining the minimum competencies, as regulated in Government Gazette 29967 of June 2007 preparation and timely submission of annual financial statements for audits support implementation of corrective actions to address audit findings in municipalities that received adverse and disclaimer opinions technical support in financial management to municipalities must include the transfer of skills to municipal officials, the preparation of a financial recovery plan and the implementation thereof, where appropriate, implementation of financial management reforms and addressing shortcomings identified in the Financial Management Capability Maturity Model (FMCMM) Assessment Report for that municipality, ensuring timely submission of the FMG support plan consistent with the conditions of the grant. Regular, timely submission of reports with completed information, Expenditure must be maintained at appropriate levels.

RRAMS

Current-year receipts	2 415 000	2 280 000
Conditions met - transferred to revenue	(2 415 000)	(2 280 000)
	-	-

All conditions for the grant were met. The grant was utilised to provide local municipalities with validated information to enable municipalities to identify and prioritise road maintenance requirements within their own budgets, to improve the condition and extend the lifespan of road infrastructure within the district.

District Growth & Development Summit

Current-year receipts	-	300 000
Conditions met - transferred to revenue	-	(300 000)

Figures in Rand	2020	2019

29. Government Grants and Subsidies (continued)

	-	-

Conditions of this grant were met.

Disaster Relief Grant

Current-year receipts	536 000	-
Conditions met - transferred to revenue	(536 000)	-
	-	-

All conditions of this grant were met.

Development Planning Shared Services

Balance unspent at beginning of year	209 041	126 884
Current-year receipts	500 000	450 000
Conditions met - transferred to revenue	(370 893)	(367 843)
	338 148	**209 041**

Some conditions for grants were not met during the fincial year. A request for a rollover was done to Treasury for funds to be carried forward to 2020/21 financial year.

The grant is used to optimise planning function and resources in the district to increase efficieny and to reduce cost of service. Create an environment of learning where jounior and inexperienced staff can be mentored by more senior officials. Promote continuity where the loss of one staff member should not disprut services. Promote integration and alignment of IDP to spacial development initiatives.

Spatial Development Framework Support Management

Current-year receipts	800 000	-
Conditions met - transferred to revenue	(136 500)	-
	663 500	-

Municipal Infrastructure Grant

Current-year receipts	188 488 000	184 485 000
Conditions met - transferred to revenue	(188 488 000)	(184 485 000)
	-	-

All conditions of grant were met. Municipalities must prioritise MIG for eligible beneficiaries and infrastructure that includes: basic residential infrastructure for the poor for water, sanitation, roads, waste management, streetlighting, community facilities as well as associated municipal bulk and connector infrastructure new or upgrading of municipal bulk, connector and reticulation infrastructure to support existing areas and the formalisation of settlements renewal of eligible infrastructure servicing the poor subject to the confirmation by the relevant sector department of the state of infrastructure and a commitment from the municipality of how on-going operations and maintenance of the renewed infrastructure will be funded and performed maintenance of roads infrastructure mainly servicing the poor.

Regional Bulk Infrastructure Grant

Current-year receipts	20 000 000	40 000 000
Conditions met - transferred to revenue	(20 000 000)	(40 000 000)
	-	-

All conditions for the grant were met.

29. Government Grants and Subsidies (continued)

Water Services Infrastructure Grant

Current-year receipts	68 374 000	70 800 000
Conditions met - transferred to revenue	(68 374 000)	(70 800 000)
	-	-

All conditions for the grant were met. To facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities. Provide interim, intermediate water and sanitation services that ensure provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of boreholes and on-site solutions.To support drought relief projects in affected municipalities.

Massiffication Programme

Current-year receipts	2 800 000	-
Conditions met - transferred to revenue	(2 800 000)	-
	-	-

All conditions for the grant were met.

Figures in Rand	2020	2019

30. Employee related costs

Basic Salary	109 310 966	94 359 972
Bonus	7 934 266	6 903 441
Medical aid - company contributions	4 655 391	4 188 081
UIF	778 470	682 717
SDL	1 449 574	1 205 777
Leave Provision	5 266 799	3 444 514
Standby Allowance	3 614 751	2 804 943
Defined contribution plans	605 975	245 426
Overtime payments	13 574 931	9 850 911
Acting allowances	131 258	2 440 422
Car allowance	2 430 481	2 500 247
Housing benefits and allowances	3 745 973	501 205
Pension	14 464 486	12 554 039
Telephone Allowances	387 692	421 412
Bargaining Council and Other	59 597	52 360
	168 410 610	**142 155 467**

Remuneration of Municipal Manager

Annual Remuneration	899 914	654 766
Car Allowance	281 263	259 627
Housing	19 500	124 116
Acting allowances	-	27 681
Telephone	134 459	18 000
Other	174 703	43 109
	1 509 839	**1 127 299**

The Municipal Manager resigned during the financial year.

Remuneration of Chief Finance Officer

Annual Remuneration	600 300	150 075
Car Allowance	120 000	30 000
Housing allowance	29 217	7 304
Acting allowance	-	44 609
Telephone	18 000	4 500
Other	38 281	41 319
	805 798	**277 807**

Remuneration of Senior Manager Technical Services

Annual Remuneration	661 551	704 474
Car Allowance	101 184	101 184
Housing allowance	74 937	74 937
Telephone	18 000	21 000
Other	12 747	37 254
	868 419	**938 849**

Remuneration of Senior Manager Corporate Services

Annual Remuneration	703 531	471 281
Car Allowance	136 598	102 449
Housing allowance	48 390	36 292

Notes to the Financial Statements

Figures in Rand	2020	2019

30. Employee related costs (continued)

Telephone	18 000	13 500
Other	3 725	59 338
	910 244	**682 860**

Remuneration of Senior Manager Planning and Development

Annual Remuneration	686 009	821 656
Car Allowance	66 000	71 518
Housing allowance	54 944	61 440
Telephone	18 000	18 000
Other	202 174	110 203
	1 027 127	**1 082 817**

31. Remuneration of councillors

Executive Mayor	839 193	839 193
Deputy Executive Mayor	681 936	680 821
Mayoral Committee Members	836 728	861 718
Speaker	680 096	680 269
Councillors	2 944 048	3 504 912
	5 982 001	**6 566 913**

In-kind benefits

The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor, the Deputy Mayor and Speaker have bodyguards.

32. Depreciation and amortisation

Depreciation and Amortisation	96 143 740	95 928 452

33. Finance costs

Interest on Long Term Liability	6 390 525	-
Interest on Late Payments	4 492 287	73 424
	10 882 812	**73 424**

34. Operating Leases

The municipality is renting out office space from Aheers from which a monthly rental is payable.

The municipality rents photocopiers from Minolta and the contract termination date is 30 September 2020.

35. Lease Rentals on Operating Lease

Premises		
Contractual amounts	142 513	141 230
Lease Rentals on Operating Leases		
Contractual amounts	437 208	478 096
	579 721	**619 326**

Figures in Rand	2020	2019

36. Debt Impairment

Debt impairment	41 960 241	(35 111 748)

Restatement Reconciliation

Previously Reported	-	16 646 677
	-	18 465 071
	-	**35 111 748**

37. Bad Debts Written Off

Bad debts written off	-	93 550 818

Bad debts written off were adjusted for R85121 due to an error identified during audit.

38. Bulk Purchases

Water	17 365 793	14 026 503

Restatement Reconciliation

Previosuly Reported	-	15 325 367
Trade Payables	-	(1 298 864)
	-	**14 026 503**

39. Contracted services

Outsourced Services		
Business and Advisory	2 226 113	-
Catering Services	1 712 995	-
Professional Staff	83 079 025	396 999
Security Services	11 542 412	8 582 106
Sewerage Services	9 446 853	1 792 084
Consultants and Professional Services		
Business and Advisory	9 997 444	2 231 678
Infrastructure and Planning	-	775 328
Legal Cost	3 974 430	6 257 212
Contractors		
Artists and Performers	20 000	128 550
Event Promoters	496 400	-
Inspection Fees	-	28 255 779
Maintenance of Buildings and Facilities	1 520 050	26 528 007
Maintenance of Equipment	888 963	10 124
Maintenance of Unspecified Assets	9 870 089	29 675 936
Medical Services	297 135	-
Sports and Recreation	337 777	-
Stage and Sound Crew	12 300	-
	135 421 986	**104 633 803**

Figures in Rand	2020	2019

40. General Expenses

Advertising	7 206 477	4 324 767
Auditors Remuneration	3 938 284	3 238 182
Bank Charges	248 473	96 417
Cleaning Services	1 760	43 253
Bursaries	57 957	288 648
Consumables	24 054 197	81 596 772
Supplier Development	-	1 837 908
Transport	-	938 050
Entertainment	-	8 335
Fines and Penalties	-	5 691 580
Financial instruments - Fee expense	-	2 197 687
Hire Charges	29 608 918	4 187 663
Commision	2 790 240	114 076
Personnel Labour	210 674	15 074 553
Conferences and seminars	5 000	-
IT expenses	2 079 245	5 174 017
Medical Expenses	-	170 221
Stage & Sound	-	69 000
Staff Hiring	19 622 409	306 095
Magazines, books and periodicals	-	147 500
Fuel and oil	37 357 635	-
Postage and courier	320 548	-
Protective clothing	641 737	1 776 166
Project Management	1 104	-
Learnerships	5 433 571	6 174 226
Subscriptions and Membership Fees	102 490	-
Telephone	983 886	1 539 482
Transport and freight	876 068	-
Training	9 000	-
Travel - Local	8 762 848	-
Water and Electricity	26 421 364	20 582 567
Insurance	-	1 247 227
Sports and Cultural Programmes	-	212 830
Event Promoters	-	357 027
Specimen and Samples	94 478	49 979
Awards	-	72 200
Disaster Relief	618 015	3 161 421
Other Expenses	244 940	200 000
Management Fee	-	572 476
Registration Costs	-	142 612
Fire Services	-	15 605
	171 691 318	**161 608 542**

Reconciliation

Previously Reported - Consumables	-	71 277 132
Inventory	-	10 319 640
	-	**81 596 772**

41. Auditors' remuneration

Fees	3 938 284	3 238 182

Figures in Rand	2020	2019

42. Cash generated from operations

	2020	2019
Surplus	80 106 450	130 023 612
Adjustments for:		
Depreciation and amortisation	96 143 740	95 928 452
Gain on sale of assets and liabilities	1 457 538	10 165
Income from equity accounted investments	27 421 549	18 659 113
Debt impairment	41 960 241	(35 111 748)
Bad debts written off	-	93 550 818
Movements in retirement benefit assets and liabilities	3 172 376	543 319
Movements in provisions	(3 145 404)	2 115 446
Movement in accruals	-	(19 353 961)
Bonus accrual movement	-	231 924
Opening balance	(18 693 784)	(85 462 543)
Changes in working capital:		
Inventories	172 591	27 967
Consumer debtors	(78 455 631)	29 182 020
Other receivables from non-exchange transactions	2 243 652	(256 893)
Trade Payables	31 011 740	24 157 842
VAT	(6 892 960)	(4 564 950)
Unspent Conditional Grants and Receipts	792 607	(37 516 246)
Consumer deposits	(200)	(7 617)
	177 294 505	**212 156 720**

43. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments to address audit findings up to 2018/19 financial year.

Statement of financial position

2019

	Note	As previously reported	Correction of error	Change in accounting policy	Restated
Inventories	3	11 519 178	(10 492 231)	-	1 026 947
Receivables from Non-Exchange Transactions	4	12 016 591	(2 242 652)	-	9 773 939
VAT Receivable	5	16 159 143	3 795 489	-	19 954 632
Receivable from Exchange Transactions	6	66 365 012	(12 535 343)	-	53 829 669
Infrastructure - WIP	9	1 167 030 941	(15 435 691)	-	1 151 595 250
Heritage Assets	11	-	8 655	-	8 655
Investment in Joint Venture	12	230 541 473	-	(230 541 473)	-
Investment in Associate	12	-	-	230 541 473	230 541 473
Trade Payables	14	163 796 654	-	-	163 796 654
Unspent Conditional Grants	17	-	209 041	-	209 041
Other Reserves	19	698 434 731	-	(698 434 731)	-
Accummulated Surplus	21	-	8 655	698 434 731	698 443 386
		2 365 863 723	**(36 684 077)**	**-**	**2 329 179 646**

2020

Statement of financial performance

43. Prior-year adjustments (continued)

2019

	Note	As previously reported	Correction of error	Restated
Service Charges		62 418 462	(8 426 769)	53 991 693
Government Grants & Subsidies		630 275 701	(209 041)	630 066 660
Bad Debts Written Off		93 636 030	(85 212)	93 550 818
Bulk Purchases		15 325 367	(1 298 864)	14 026 503
General Expenses		151 288 902	10 319 640	161 608 542
Surplus for the year		**952 944 462**	**299 754**	**953 244 216**

Change in accounting policy

No change in accounting policies occurred during the year under review.

[If retrospective application is impracticable for a particular prior period, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

The following change in accounting policies occurred:

Other Reserves

There was a change in accounting policy where the investment in Uthukela Water (Pty) Ltd was previously treated as an Investment in Joint Venture, in the current financial year the policy was changes to an Investment in Associate due to the nature of the transaction. This resulted to a reserve of R698 million being reversed and apply equity method for surplus or deficit recognition annually.

Figures in Rand	2020	2019
Reconcialition - Other Reserves		
Previosuly Reported - Closing Balances 30 June 2018	-	698 434 731
Adjustments	-	(698 434 731)
	-	-

44. Related parties

Remuneration of management

Figures in Rand	2020	2019

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Authorised Capital Expenditure	304 196 157	238 670 050
Total capital commitments		
Already contracted for but not provided for	304 196 157	238 670 050

Authorised operational expenditure

Already contracted for but not provided for		
• Operating Leases	24 441 811	23 367 242
Total operational commitments		
Approved and Contracted	24 441 811	23 367 242

Total commitments

Total commitments		
Authorised capital expenditure	304 196 157	238 670 050
Authorised operational expenditure	24 441 811	23 367 242
	328 637 968	**262 037 292**

This committed expenditure relates to property and operating expenditure will be financed by government grants and own revenue generated. Commitments are more than 12 months.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	377 550	360 122
- in second to fifth year inclusive	450 211	570 194
	827 761	**930 316**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

46. Fruitless and wasteful expenditure

Opening balance as previously reported	442 322	368 898
Fruitless expenditure - current year	285 251	73 424
Opening balance as restated	**727 573**	**442 322**
Closing balance	**727 573**	**442 322**

Figures in Rand	2020	2019

47. Deviation from supply chain management regulations

Quotations:

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Bids:

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

SCM Regulations 36		
Expenditure Incurred	1 618 879	13 649 354

The monetary value of water loss is R23 786 670 (2018 R26 183 882). The purchase price for raw water from Uthukela Water was at R3.46.

The water loss percentage is 53% (2018, 62%).

- Umzinyathi District Municipality is mostly dominated with rural arears
- Most of our rural arears have stand pipes per standards set by Water Affairs
- Other rural areas have no water infrastructure thus water tankers are delivering water to them and these tankers are getting water from our plants and collection point sets in our water network
- The municipality experienced a lot of burst pipes in our reticulation line due to aging infrastructure.
- Illegal connections in most of our rural areas have huge impact in unaccounted water as they are most metered.
- The municipality has experienced a lot of internal leaks from domestic consumers and there's a programme that the municipality will be running to fix these leaks.

48. Irregular expenditure

Opening Balance	1 366 125 788	1 010 460 339
Add: Irregular Expenditure - Suppliers	257 958 609	355 665 449
Add: Irregualar Expenditure - Employee Costs	-	1 414 547
Opening balance as restated	**1 624 084 397**	**1 367 540 335**
Less: Amount Written Off - Current	(276 303 312)	-
Closing balance	**1 347 781 085**	**1 367 540 335**

Cases under investigation

MFMA S106	1 624 084 312	1 366 125 788
MPAC Write Off	(276 303 312)	-
	1 347 781 000	**1 366 125 788**

49. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	3 938 284	3 238 122
Amount paid - current year	(3 938 284)	(3 238 122)
	-	-

PAYE and UIF

Current year subscription / fee	27 101 218	22 798 409

Figures in Rand	2020	2019

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	19 364 762	13 083 927

VAT

VAT receivable	26 652 762	19 759 802

All VAT returns were submitted by the due date throughout the year.

Reconciliation		
Previously Reported	-	16 159 143
Audit Adjustments	-	(3 019 843)
	-	**13 139 300**

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following councillors and employees had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Bonga E	392	-	392
Buthelezi AF	684	2 285	2 969
Chambule BS	923	833	1 756
Madonsela TC	1 374	-	1 374
Maphumulo SM	75	-	75
Mawila MP	344	-	344
Mkhize SC & NSS	573	-	573
Mnguni NM	161	996	1 157
Moodley S	1	46	47
Mtshali TC	326	7 350	7 676
Munessar A	59	-	59
Ndlovu ZNT	336	234	570
Shangase CB	1 141	1 797	2 938
Thungo BP	1 110	1 206	2 316
Twala NB	724	1 582	2 306
Yengwa MS Cllr	739	14 186	14 925
Zulu L	585	-	585
Zulu VD	57	1 041	1 098
Zungu Z	561	1 584	2 145
	10 165	**33 140**	**43 305**

30 June 2019	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Bonga E	162	-	162
Buthelezi AF	769	1 613	2 382
Chambule BS	587	1 326	1 913
Majola NP	384	-	384
Maphumulo SM	65	-	65
Mlambo RK	124	-	124
Mnguni NM	196	307	503
Moodley S	-	42	42
Mtshali TC	265	6 633	6 898
Munessar A	62	-	62
Mvelase Z	258	-	258
Nzimakwe N	230	810	1 040
Shangase CB	303	628	931
Thungo BP	123	-	123
Yengwa MS Cllr	392	11 878	12 270
Zulu LB	901	6 612	7 513
Zulu VD	6	1 490	1 496
Zungu Z	328	-	328
	5 155	**31 339**	**36 494**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Figures in Rand	2020	2019

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Expenditure incurred during the yaer	1 618 879	13 649 354

50. Water distribution losses

Water Produced per Water Treatment Plant		
Msinga Fabeni WTW	12 446	4 551
Msinga Keats Drift WTW	54 670	238 617
Msinga Sampofu (Tugela Ferry) WTW	1 282 022	1 246 252
Msinga Sampofu Weir (Pomeroy) WTW	30 280	33 308
Umvoti Makhabeleni WTW Meter	569 666	414 396
Umvoti Greytown WTW	1 553 783	879 636
Umvoti Muden WTW	726 013	815 456
Umvoti Kranskop WTW	179 071	177 501
Nquthu Isandlwana WTW	74 526	93 006
Nquthu Nonqweni WTW	426 630	408 297
Nquthu /Vant's Drift WTW	2 656 050	2 672 848
Nquthu Qudeni WTW	132 212	108 847
Endumeni Biggarsberg WTW	5 214 998	5 062 261
	12 912 367	**12 154 976**

Total Water Loss		
Total Water Produced	(12 912 367)	(12 154 976)
Total Water Sold	6 037 607	4 630 872
	(6 874 760)	**(7 524 104)**

51. Events after the reporting date

There were no events after reporting period.

There were no events after reporting period.

52. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. These basis presume that funds will be available to finance operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

53. Risk management

Financial risk management

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses.

53. Risk management (continued)

Credit risk

Figures in Rand	2020	2019

Receivables

Receivables are amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the exposure to credit risk is monitored continuously. The municipality establishes an allowance for doubtful

debts that represents its estimate of anticipated losses in respect of receivables. Payments of accounts of consumer debtors who are unable to pay, are negotiated in line with the 'credit control policy and terms of payments are agreed upon with the consumer.

Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific

guidelines set in accordance with Council's approved investment policy. The municipality does not consider there to be any

significant exposure to credit risk.

Financial assets exposed to credit risk at year end were as follows:

Financial Assets		
Cash and Cash Equivalents	-	57 505 607
VAT Receivable	-	16 159 143
Receivable from Exchange Transactions	-	57 106 089
Receivable from Non-Exchange Transactions	-	12 016 591
	-	**142 787 430**
Financial Liabilities		
Long Term Liability	-	64 191 401
Payables from Exchange Transactions	-	163 796 654
Consumer Deposits	-	451 514
	-	**228 439 569**

Market risk

Interest rate risk

The municipality's policy is to manage interest rate risk so that fluctuations in variable costs do not have a material impact on surplus. All long term debts are subject to fixed rates.

54. Transfer of functions between entities not under common control

Uthukela Water (Pty) Ltd is an entity of three WSA's, namely Amajuba DM, Newcastle LM and Umzinyathi DM. The interest in this joint venture is at 33,33%, 33,4% and 33,33% respectively.

The voting rights are represented by the percentage shareholding in the entity. The transfer of function was initiated by the directive from the MEC: COGTA.

It stipulated that the function, including the infrastructure assets must be transferred back to the WSA's. The process was started and completed by the 30 June 2014, This arrangement is currently in place. Refer to Note 12 for further details.

Notes to the Financial Statements

Figures in Rand	2020	2019

55. COVID19 Expenditure

Capital Expenditure		
Msinga Emergency Water Supply	1 165 956	-
General Expenses	3 691 208	-
	4 857 164	**-**

Figures in Rand	2020	2019

56. Contingencies

Contingent liabilities of associates

1. **Umvoti / uThukela Water (Pty) Ltd**
Umvoti presented to the municipality an outstanding balance of R407 585 owing by uThukela Water (Pty) Ltd the water service authority whom was responsible for the water reticulation function within the district. Umvoti has liaised with uThukela Water (Pty) Ltd to pay the outstanding balance however uThukela Water (Pty) Ltd has advised Umvoti that the debt be settled by Umzinyathi, since uMzinyathi took over the reticulation function on the 1st of July 2013. The dispute arises because neither uThukela Water (Pty) Ltd or Umvoti has submitted proof of the liability or debt in a form an invoice or any relevant supporting documentation.

2. uThukela Water (Pty) Ltd
There's a dispute for an amount of R43 400 474 between uThukela water (Pty) Ltd and Umzinyathi District Municipality as uThukela water (Pty) Ltd claims that the municipality owes an amount of R110 734 609 which can not be proven in full.

Contingent Assets

Litigations and value of claims pending in favour of the municipality were estimated at R118 625 170, details are as follows:

1. Umzinyathi vs Soni

The Municipality is suing Mr Soni for domestic water usage, the estimated claim is R267 152.28.

2. Umzinyathi vs Trustees of Prembhai Family Trust

The municipality estimates a liability of R783493.98.

3. Umzinyathi vs Tsotetsi Mchunu Inc

The municipality is suing the law firm for undully benefiting from the services rendered.

4. Umzinyathi vs AC Industrial

The municipality is suing the service provider for assets with missing coordinates that were constructed by the service provider, the estimated claim is R95 000 000.00.

5. Umzinyathi vs Fusion Guarantee

The municipality won a counter claim against Soundrite who can no longer afford to pay the municipality whilst there is a guarantee contract allowing the municipality to institute a claim against Fusion Guarantee. The estimated claim is R5 760 963.48.

6. Umzinyathi vs Malunga

The municipality is suing the former official for the financial loss suffered with regards to the contract of the service provider that was terminated without following due process.

Contingent Liabilities

56. Contingencies (continued)

Litigations and value of claims pending against the municipality were estimated at R138 055 312.40, details are as follows:

1. Natal Joint Municipal Pension Fund (Superannuation) vs Umzinyathi [Case 1]

The claim is in respect of a pension adjustment which was not properly implemented,the estimate is R2 457 346.86

2. Natal Joint Municipal Pension Fund (Retirement) vs Umzinyathi [Case 2]

The claim is in respect of a pension adjustment which was not properly implemented, the estimate is included on the total on Case 1.

3. L Mthembu & Associates vs Umzinyathi

The claim is in respect of services rendered which were not verified by the municipality, the estimate is R309 000.

4. L Mthembu & Associates vs Umzinyathi

The claim is in respect of services rendered which were not verified by the municipality, the estimate is R261 200.

5. AB Projects vs Umzinyathi

The claim is in respect of services rendered by a service provider, the estimated liability is R12 330 854.64 with interest accumuating from the date of summons..

6. Thuthu Nibambo vs Umzinyathi

The claim is in respect of an unlawful appointment of a service provider, the etimated liability is R329 600.

7. National NDT Services vs Umzinyathi

The claim is in respect of services rendered under the cession agreement, the estimated liability is R3 711 221.64.

8. Mining Pressure Systems vs Umzinyathi

The claim is in respect of services rendered under a cession agreement, the estimated liability is R5146 926.45.

9. Zamokwakhe Construction CC

The claim is in respect of services rendered, the estimated liability is R750 072.90.

10. Ubuso Obuhle Trading (Pty) Ltd vs Umzinyathi

Figures in Rand	2020	2019

56. Contingencies (continued)

The claim is in respect of services rendered under a cession agreement, the estimated liability is R608 157.50.

11. Pipe Jack Gauteng vs Umzinyathi

The claim is in respect of services renderd under a cession agreement, the estimated liability is R96 727 257.63.

Labour Matters

Labour matters pending internally have not been quanitifed and estimated liability value was not available, they were as follows:

1. Umzinyathi vs Ndlovu

2. Umzinyathi vs Buthelezi

3. Umzinyathi vs Lembede

4. Umzinyathi vs Majola

5. Umzinyathi vs Ndlovu

6. Umzinyathi vs Sithole

7. Umzinyathi vs Buthelezi

8. Umzinyathi vs Dlamini

9. Umzinyathi vs Gcabashe

10. Umzinyathi vs Manqele